

VZCZCXRO3753

RR RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN
RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHVJ #1707/01 3101454
ZNR UUUUU ZZH
R 051454Z NOV 08
FM AMEMBASSY SARAJEVO
TO RUEHC/SECSTATE WASHDC 9226
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEAIIA/CIA WASHINGTON DC
RUEKJCS/JCS WASHINGTON DC

UNCLAS SECTION 01 OF 02 SARAJEVO 001707

SENSITIVE
SIPDIS

STATE FOR EUR/FO JONES, EUR/ACE HYLAND, FOOKS, STINCHCOMB

E.O. 12958: N/A

TAGS: [EINV](#) [ENRG](#) [PINR](#) [PREF](#) [PREL](#) [BK](#)

SUBJECT: BOSNIA: DODIK REJECTS US-EU PROPOSAL FOR TRANSCO
NEGOTIATIONS

REF: SARAJEVO 1623

1. (SBU) Post received a response from Prime Minister of the
Republika Srpska on Friday, October 31 that answered the
Ambassador English and EU Ambassador Kourkoulas, joint
letter proposing reform of Elektroprenos (TRANSCO), the
state-run electricity transmission company (reftel). The
English translation of the letter is as follows:

October 31, 2008

Dear Sirs:

With reference to your letter dated October 24, 2008,
regarding problems in Elektroprenos BiH and proposals for
resolving them, I wish to present to you my position on the
issue.

It is a well known fact that the situation in Elektroprenos
BiH is difficult, with a number of problems in the
functioning and in the management, which Republika Srpska, as
a shareholder, has been stressing for a while now via its
representative in the shareholders assembly and has proposed
ways for overcoming the stalemate. Our proposal regarding
the removal of the said blockage in the functioning
(management and decision-making, balanced planning of the
development of the transmission network, company's
investments, structure and number of employees) is absolutely
substantiated, just and based on the existing legal
regulations in BiH.

This is especially the case since this is a company that is a
specific economic entity (established under special law, the
founder are the two entities, there is no profit sharing for
10 years, and other), and when it comes to its functioning,
apart from the existing regulations that need to be amended
and harmonized, we need to apply the usual standards and
principles in managing companies that are accepted worldwide.

Any other way of overcoming the problems in the company would
represent an act of violence over the principle of legality.

We appreciate your intentions as representatives of the
international community to help in resolving this problem,
but in our opinion, your proposal breaches the framework of
local legislation. On the other hand, the said proposal will
not contribute to confidence building between the parties,
and therefore we are not in a position to accept it.

However, the RS Government remains open for all activities in
accordance with law that will normalize and improve the work
of the company, and thus provide a full realization of
responsibilities that derive from the Treaty on the

Establishment of the Energy Community and other international agreements.

Having this in mind and in accordance with legal regulations and general documents of the company, I have convened an extraordinary session of the shareholders assembly for December 2, 2008, at the company's headquarters, which will focus on the current problems in the functioning of the company.

I sincerely hope and expect that the extraordinary session of the shareholders assembly will be held, at which time we will make decisions in the interest of both shareholders and in the interest of the company as a whole.

With Respect, Dodik

NEXT STEPS AND COMMENT

12. (SBU) Dodik has now made his intentions known) he is not willing to negotiate in good faith as he agreed to do with Ambassador on October 16 (reftel). We intend to send a letter back to Dodik, expressing our disappointment with his intentions to move forward with his February proposal at the December 2 shareholders session and making clear that his position is not consistent with the September 12 Peace Implementation Council (PIC) statement on TRANSCO. The clear thrust of his proposal is to re-divide TRANSCO into three, ethnically-based &sub-TRANSCOs, which amounts to a de-facto dissolution of the company and a roll-back of the reform that was a precondition to the SAA. We will brief the PIC Ambassadors this week on the letter, and encourage

SARAJEVO 00001707 002 OF 002

TRANSCO to be a leading agenda item at the PIC meeting in Brussels on November 19. We will continue to push for European support to continue pressure on Dodik to prevent him from moving forward with his plans to essentially destroy TRANSCO.

ENGLISH